

Cargo was being shipped by Maclean Power Systems utilizing the freight forwarding firm of Berardino & Associates, Inc., Elmhurst, Illinois, and subsequently said firm had the cargo and containers of present interest booked under a freight forwarder/NVOCC identified as Advance Ocean, Inc., Rosemead, California. Attached to this report and to be considered a part thereof is copy of Advance Ocean, Inc. Booking Confirmation, bearing their Booking No. LAXBKK3453, dated 12 June 2006. Said booking confirmation notes that the containers of present interest could be picked up at the Joliet Logistics Park, Elwood, Illinois, and should be returned loaded to the Joliet Logistics Park, Elwood, Illinois, by 14 July 2006.

Subsequently, said containers were loaded by Maclean Power Systems and were delivered to the Joliet Logistics Park/Burlington Northern Santa Fe Railroad, Elwood, Illinois, where said containers were received by the rail company with no exceptions and/or notations being made. Subsequently, the containers were being moved via the Burlington Northern Santa Fe Railroad, when the train on which the railcars were being moved was involved in a derailment incident. As a result of the derailment incident, six of the seven containers involved in the shipment were affected and the contents of the six containers which had been affected were removed from the original containers, presumably as a result of physical damages to same, and were restowed within domestic trailers and/or additional 40' containers for redelivery to the shipper/producer, Maclean Power Systems, Franklin Park, Illinois. Attached to this report and to be considered a part thereof is a spreadsheet noting the damages to the containers and the transloading of their contents.

As a result of damages to the containers and probable damages to the cargo, interested cargo underwriters were notified of the derailment incident and Inland Surveyors, Inc. was appointed on behalf of the above interests on 4 August 2006.

Surveys were conducted at the premises of Maclean Power Systems, 11411 Addison Street, Franklin Park, Illinois 60131, on 16 and 24 August, 12 September 2006; and, further, a meeting was held with regard to the claim in an effort to discuss same on 29 March 2007.

Persons present were:

Ms. Judy Toltzman  
Maclean Power Systems  
on all dates

Various personnel  
Maclean Power Systems  
on all dates

Mr. James Finch  
Arthur J. Gallagher Risk Management Services, Inc.  
on 29 March 2007

Mr. Daniel H. Boltz, Marine Surveyor  
representing interests as above  
on all dates

#### FINDINGS

Subsequent to receipt of the assignment, the undersigned was in contact with Ms. Judy Toltzman, Transportation Supervisor, Maclean Power Systems. Subsequently, the undersigned attended on an initial inspection of cargo which had been returned and which was being in the process of being returned at the premises of Maclean Power Systems on 16 August 2006. At said time, the undersigned was demonstrated cargoes which had been returned and inspection of the cargoes noted same to consist of electrical insulators for use and installation on large power lines. The insulators consisted of a fiberglass internal tube/frame, to which rubber insulator fins were applied and further to which metal installation devices were applied on the ends as well. The insulators had been packaged within wooden crates constructed of plywood and had been placed within the wooden crates in multiple tiers, up to four pieces

per tier, which tiers were separated utilizing 2" x 4" and 4" x 4" wooden dunnage. The crates had been returned within domestic trailers as well as ocean containers and severe physical damages were observed to the crates, wherein same were received either broken and/or partially crushed. Further, numerous crates were observed to be completely destroyed and their contents were returned "break bulk" within the returning containers and had been placed and/or stowed on top of crates in a haphazard fashion.

Inspection of the insulators at the time of the survey noted that some appeared to be in good physical condition, while others exhibited physical damages to either their metal installation points and/or their rubber fins which were noted to be torn and/or abraded in some instances. Attached to this report and to be considered a part thereof are captioned photographs which depict the condition of the returned crates as well as the condition of the insulators as observed by the undersigned at the times of the various surveys.

Subsequent to the initial survey, it was agreed that Maclean Power Systems would forward a preliminary claim letter to Advance Ocean and subsequently said claim letter was forwarded, copy of which, dated 16 August 2006, is attached to this report and to be considered a part thereof. Further, it was agreed at the time of the initial survey that Maclean Power Systems would conduct a 100% review of all cargo in order to determine which pieces had been damaged and which pieces could possibly be reused in a replacement shipment.

It was further determined at the time of the survey that the contents of the container which had not suffered any damages amounted to an invoice value of \$40,460.00 and, as such, the value of the cargo being returned within the six ocean containers which had suffered physical damages amounted to \$317,260.00. The undersigned was further informed at the time of the survey that every effort would be made by Maclean Power Systems to reduce the loss and, where possible, the metal installation

assemblies, also known as line post bases, which were not damaged would be removed from damaged insulators and reused on the replacement insulators in a further effort to mitigate the loss. The undersigned requested a basis for Maclean Power Systems inspection and subsequently the undersigned received a document titled "Inspection of Insulators for Damage," dated 16 October 2006, copy of which is attached to this report and to be considered a part thereof. The document indicates that if any of the rubber sheathing and/or the metal end fittings on the insulators were damaged, said insulator would be rejected; however, if there was no damage to the end fittings nor any damage to the rubber sheaths, the unit would be labeled as good and would be reused within the replacement shipment.

Subsequent to receipt of the cargo, the review took place utilizing internal labor as well as external manpower, during which all insulators were removed from their damaged crates, inspected for damages, reworked if necessary and then replaced within new wooden crates which were constructed by Maclean Power Systems for the replacement shipment. During their review, it was determined that 424 of the insulators were in good condition and were immediately repackaged for Maclean Power Systems' customer/the replacement shipment. The remaining 613 insulators were observed with physical damages to same and either had to be fully remade or partially remade. Subsequent to the remaking and reformulating of the replacement shipment, Maclean Power Systems compiled various claim statements, the last of which was submitted to the undersigned under date of 20 April 2007. Said claim statement, in the total amount of \$163,287.04, along with its accompanying invoices, are attached to this report and to be considered a part thereof.

A review of the claim statement, which is more fully listed below, initially indicates charges to unload the returned containers in the amount of \$315.00 and charges to reload the replacement shipment in the amount of \$105.00. The statement further indicates labor cost to sort, break down and inspect in the

amount of \$5,242.00, and further indicates labor charges to rework the damaged insulators which contained/held undamaged bases, during which the bases were removed for installation on the replacement pieces, in the amount of \$9,114.00. It is noted that the labor to remove the bases from the insulators resulted in an overall reduction in the claim based upon 566 bases removed in the amount of \$13,883.98. Accordingly, the labor charges were cost-effective given the further reduction in the claim.

The claim goes on to indicate transportation costs for return of the six containers from the railyard to Maclean Power Systems, Franklin Park, Illinois, in the amount of \$3,900.00, copies of which invoices are attached, and further indicates additional forwarding fees for the replacement shipments in the amount of \$861.00 and scrap removal for the rejected/damaged insulators and damaged crates in the amount of \$1,890.00.

Finally, the claim indicates the cost of the replacement units based upon a cost basis which is approximately 31% below the CIF/invoice value and, as such, appears fair and reasonable in the undersigned's opinion, without prejudice.

The detailed claim as submitted is as follows:

<b>Labor Costs</b>	<b>Temps</b>	<b>Full Time</b>	<b>Hours</b>	<b>\$/hr.</b>	<b>Total</b>
Unload containers		1	9	\$35.00	\$ 315.00
Reload containers - replacement shipment		1	3	\$35.00	\$ 105.00
Sort/break down crates	3		288	\$14.00	\$ 4,032.00
Inspection (QC inspectors)		2	22	\$55.00	\$ 1,210.00
Rework (remove bases from insulators)	3		336	\$14.00	\$ 4,704.00
<b>TOTAL</b>		1	126	\$35.00	\$ 4,410.00
			784		<b>\$ 14,776.00</b>

#### **Transportation Costs**

Inland from rail (including detention 2 cont) (\$650.00 x 6 containers)	\$ 3,900.00 <sup>1</sup>
Addtl forwarding fees (due to multiple shipments)	\$ 861.00 <sup>1</sup>
Including LC prep & forwarding fees, courier fees) for replacement shipment	
Scrap removal - insulators & crates \$315.00 x 6 dumpsters	\$ 1,890.00 <sup>1</sup>
<b>TOTAL</b>	<b>\$ 6,651.00</b>